

UNAUDITED
ANNUAL FINANCIAL STATEMENTS

Ntambanana
LOCAL MUNICIPALITY

30 JUNE 2008



Ntambanana Municipality
Municipal Offices
Private 120066
Empangeni
3880

[Signature]
21/10/08

NTAMBANANA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 30-06-2020

I am responsible for the preparation of the annual financial statements, which are set out on **pages 1 to 31**, in terms of Section 126(1) of the Municipal Finance Management Act, which I have signed on behalf of the municipality.

I certify that the salaries, allowances and benefits of the Councilors as disclosed in *note 5* of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution read with the Remuneration of Public Officers Act, 1974 and the Minister of Provincial and Local Government, as amended, and that the Councilors are not entitled to any other remuneration or benefits under this Act.

Mr. Raymond Phiwamandla Mnguni
Accounting Officer

Date _____

MTAMBAWANA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30-June-88

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MTAMBARANA LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2008

	2008	2007
NET ASSETS AND LIABILITIES		
Net Assets		
✓ Government grants reserves	7 468 190	8 910 221
✓ Revaluation reserve	-	-
✓ Accumulated Surplus/(Deficit)	7 468 190	8 910 221
Current liabilities		
✓ Unspent conditional grants and receipts	2 219 954	5 650 736
✓ Creditors	528 190	4 692 003
✓ Provisions	457 277	724 295
	234 488	234 488
Total Net Assets and Liabilities	8 688 144	14 586 957
ASSETS		
Non-current assets		
✓ Property, plant and equipment	7 141 422	7 858 537
	7 141 422	7 858 537
Current Assets		
✓ Debtors	1 546 723	6 702 520
✓ Current portion of long-term debtors	247 544	137 042
✓ Call investments deposits	-	-
✓ Bank balances and cash	1 103 979	2 803 979
	195 200	3 761 499
Total Assets	8 688 145	14 561 057

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MTAMBARARA LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2008

	Pre-GAMAP Reserves and Funds	Capital Replacement Reserve	Capitalization Reserve	Government Grants Reserve	Donations and Public Contrib. Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R	R	R	R
2007							
Balance at 1 July 2006	-	-	-	5 420 574	-	5 499 333	10 919 907
Implementation of GAMAP (Note 18)	-	-	-	-	-	-	-
Change in Accounting policy (Note 18)	-	-	-	-	-	-	-
Realised Balance	-	-	-	-	-	(1 167 681)	(1 167 681)
Surplus/(deficit) for the year	-	-	-	5 420 574	-	4 331 652	9 752 226
Transfer to Accumulated Surplus	-	-	-	-	-	224 925	224 925
Property, plant and equipment purchased	-	-	-	(9 640 178)	-	9 649 178	-
Capital grants used to purchase PPE	-	-	-	-	-	-	-
Capital Grants to purchase PPE	-	-	-	-	-	(547 066)	(547 066)
Prior Year Adjustment	-	-	-	-	-	-	-
Current Year Adjustment	-	-	-	4 448 466	-	-	4 448 466
Assets disposal	-	-	-	(219 861)	-	(833 149)	(1 053 010)
Offsetting of Depreciation	-	-	-	-	-	(3 915 329)	(3 915 329)
Balance at 30 June 2007	-	-	-	-	-	8 910 271	8 910 272
2008							
Change in Accounting policy (Note 18)	-	-	-	-	-	-	-
Realised Balance	-	-	-	-	-	-	-
Surplus/(deficit) for the year	-	-	-	-	-	8 910 271	8 910 272
Transfer to Accumulated Surplus	-	-	-	-	-	(2 631 603)	(2 631 603)
Property, plant and equipment purchased	-	-	-	-	-	-	-
Capital grants used to purchase PPE	-	-	-	-	-	-	-
Prior Year Adjustment	-	-	-	-	-	-	-
Current Year Adjustment	-	-	-	-	-	659 955	659 955
Assets disposal	-	-	-	-	-	529 616	529 616
Offsetting of Depreciation	-	-	-	-	-	-	-
Balance at 30 June 2008	-	-	-	-	-	7 468 190	7 468 191

~~Right~~ Right

NTAMBANANA LOCAL MUNICIPALITY			
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008			
	Note	2008 R	2007 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and others			
Cash paid to suppliers and employees			
Cash generated from/ (utilised in) operations	1	14,880,628	14,214,017
Interest received		(14,415,487)	(10,824,879)
Interest paid		(1,575,484)	3,389,138
NET CASH FROM OPERATING ACTIVITIES		562,412	(32,969)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,013,072)	3,296,169
Proceeds on disposal of property, plant and equipment			
(Increase)/decrease in property, plant and equipment		(4,448,466)	
(Increase)/decrease in non-current investments			
(Increase)/decrease in call investment deposit			
NET CASH FROM INVESTING ACTIVITIES		(4,448,466)	
NET DECREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the year		(5,461,537)	3,296,169
Cash and cash equivalents at the end of the year	2	10,906,672	1,077,846
		9,369,457	6,565,478

NTAMBARUMA LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	R	R
CASH FLOW FROM OPERATING ACTIVITIES		
Cash receipts from ratepayers, government and others	14 880 628	15 100 624
Cash paid to suppliers and employees	(14 425 487)	(14 104 766)
Cash generated from/ (utilized in) operations	(1 575 484)	995 858
Interest received	181 092	(562 412)
Interest paid	-	-
NET CASH FROM OPERATING ACTIVITIES	181 092	(562 412)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1 394 392)	433 446
Proceeds on disposal of property, plant and equipment	-	-
(Increase)/decrease in property, plant and equipment	(271 126)	-
(Increase)/decrease in non-current investments	-	-
(Increase)/decrease in call investment deposit	-	-
NET CASH FROM INVESTING ACTIVITIES	(271 126)	433 446
NET DECREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at the beginning of the year	10 906 672	1 077 846
Cash and cash equivalents at the end of the year	1 259 179	6 458 546

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

1. BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, except for the revaluation of land and buildings, which are carried at a fair value.

In accordance with Section 122(3) of the Municipal Finance Management Act (Act No. 56 of 2003), the Municipality has adopted Standards of GAAP and GRAP issued by the Accounting Standards Board during the financial year. GAAP and GRAP standards are fundamentally different to the fund accounting policies adopted in previous financial years. Comparative amounts have been restated retrospectively to the extent possible. The effect of the change in accounting policy arising from the implementation of GAAP and GRAP is set out in *Notes 12*.

The Municipality may have transactions, events or balances that are outside the ambit of GAAP and GRAP but which are included in the Standards of International Accounting Standards (IPSAS) issued by the International Federation of Accountants - Public Sector Committee, International Accounting Standards (IAS) issued by the International Accounting Standards Board or Generally Accepted Accounting Practices issued by the South African Practices Board and the South African Institute of Chartered Accountants. The Municipality has fully complied with the measurement, recognition and disclosure requirements of those accounting standards.

The principal accounting policies adopted in the preparation of the annual financial statements are set out below. Assets, liabilities, revenues and expenses have not been offset except where offsetting is required or permitted by a Standard of GAAP or GRAP.

2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

4. RESERVES

The surplus arising from the revaluation of land and buildings is credited to non-distributable reserves. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/(deficit). On disposal, the net revaluation surplus is transferred to the accumulated surplus/(deficit) while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, is stated at cost, less accumulated depreciation and accumulated impairment losses, except land and buildings, which are revalued as indicated below. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an infinite life.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognized as an expense in the period that the impairment identified.

The cost of an item of property, plant and equipment acquired in exchange for non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalized when the recognition and measurement criteria of an asset are met.

Depreciation is calculated on cost, using straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated assets lives:-

	Years
Infrastructure	
Roads and Sewing	30
Electricity	20-30
Water	15-20
Community	
Buildings	30
Recreational facilities	20-30
Security	5
Other	
Buildings	30
Vehicles	5
Office Equipment	3-7
Furniture and fittings	7-10
Bike and Containers	5
Specialized plant and equipment	15
Other items of plant and equipment	2-5
Waste sites	15

The gains or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognized in the Statement of Financial Performance.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

6. REVALUATION OF LAND AND BUILDINGS

7. INVESTMENTS

7.1 Financial Instruments

Financial instruments which include fixed deposits and short-term deposits invested with registered commercial banks are stated at cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognized as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

8. INVENTORIES

Consumable stores are valued at the lower cost and net realizable value. In general the basis of determining costs is the first-in, first-out method (FIFO).

9. ACCOUNTS RECEIVABLES

Accounts receivables are carried at anticipated realizable value. An estimate is made for doubtful receivables based on overview of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

10. TRADE CREDITORS

Trade creditors are stated at their nominal value.

11. REVENUE RECOGNITION

11.1 Revenue from Exchange Transactions

Interest and rates are recognized on a time proportion basis.

Revenue from public contributions is recognized when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributors have been received but the municipality has not met the condition, a liability is recognized.

11.2 Revenue from non-exchange Transactions

Donations are recognized on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment is recognized when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorized, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognized when the recovery thereof from the responsible councilors or officials is virtually certain.

12. CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognized as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognized.

13. PROVISIONS

Provisions are recognized when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimates. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the municipality.

14. CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of overdrafts.

The municipality does not have overdraft facility.

15. UNAUTHORIZED EXPENDITURE

Unauthorized expenditure is the expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorized expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

16. IRREGULAR EXPENDITURE

Irregular expenditure is the expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorized expenditure. Irregular expenditure is accounted for as the expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

17. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for in the Statement of Financial Performance and where recovered, it is subsequently accounted for as the revenue in the Statement of Financial Performance.

18. COMPARATIVE INFORMATION

18.1 Current year comparatives

Budgeted amounts have been included in the annual financial statements for the current financial year only.

18.2 Prior year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

19. RETIREMENT BENEFITS

The municipality provides retirements benefits for its employees. Currently no councilors are members of the retirement benefit schemes. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefits funds, which are administered on provincial basis, are actuarially valued triennially on the projected unit credit method basis. Members of the staff are contributing to Ndal Joint Municipal Pension Fund or the KwaZulu-Natal Joint Municipal Provident Fund.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
30 JUNE 2008

1. CASH GENERATED BY OPERATIONS

	2008	2007
Deficit for the year		
Adjustments for:-		
Depreciation	(2 631 603)	(214 925)
Investment Income	787 546	622 961
Contribution to provisions - current	(181 092)	(562 412)
Bad Debts Written Off	138 320	(1 783 131)
Operating surplus/(deficit) before working capital changes	80 863	-
(Increase)/decrease in inventory	(1 805 963)	(1 947 507)
(Increase)/decrease in debtors	-	-
(Increase)/decrease in other debtors	130 694	(485 443)
(Decrease)/increase in conditional grants and receipts	118 128	-
(Increase)/(Decrease) in creditors	(4 163 814)	342 417
(Decrease)/increase in provisions	(268 942)	65 199
Cash generated by operations	(5 589 895)	(2 025 334)

	30-Jun-08				
	Land and Buildings	Infrastructure	Other Assets	Total	
Carrying Value	R	R	R	R	
Cost	6 250 162	-	1 608 376	7 858 538	
Correction of Error	6 635 688	-	3 013 491	9 649 179	
Accumulated Depreciation	(385 526)	-	(1 405 116)	(1 790 642)	
Additions					
Capital Under Construction	90 338	-	180 787	271 126	
Correction of error	(11 229)	-	-	-	
Backlog Depreciation	-	-	(35 901)	(47 130)	
Depreciation	(228 916)	-	(560 633)	(787 549)	
Disposals					
Cost	-	-	(133 562)	(133 562)	
Accumulated Depreciation	-	-	(586 401)	(586 401)	
	-	-	432 839	432 839	
Carrying Value	6 102 355	-	1 039 066	7 141 422	
Cost	6 714 797	-	2 571 977	9 286 774	
Correction of error	(612 442)	-	-	-	
Accumulated Depreciation	-	-	(1 532 910)	(2 145 352)	

	30-Jun-07				
	Land and Buildings	Infrastructure	Other Assets	Total	
Carrying Value	R	R	R	R	
Cost	2 766 717	-	2 820 013	5 586 730	
Accumulated Depreciation	2 766 717	-	2 820 013	5 586 730	
Additions					
Capital Under Construction	4 193 971	-	417 844	4 611 816	
Correction of Error	-	-	-	-	
Backlog Depreciation	(266 950)	-	(224 366)	(224 366)	
Depreciation	(118 576)	-	(900 731)	(1 019 307)	
Disposals			(504 385)	(622 961)	
Cost	(325 000)	-	-	(325 000)	
Accumulated Depreciation	(325 000)	-	-	(325 000)	
Carrying Value	6 250 162	-	1 608 376	7 858 538	
Cost	6 635 688	-	3 137 857	9 773 545	
Correction of Error	-	-	(224 366)	(224 366)	
Accumulated Depreciation	(385 526)	-	(1 405 116)	(1 790 642)	
				0	

In terms of GAAP 17 the municipality will use the Transitional Provisions in respect of transactions related to Property, Plant and Equipment. The municipality has disclosed the PPE at cost and no realisations were done on any PPE. Other than on the asset that was being disposed.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
30 JUNE 2008

3. ADDITIONAL DISCLOSURES IN TERMS OF MFMA

3.1 Assets

Opening balance
Current year audit fees
Amount paid - current year
Amount paid - prior years
Balance unpaid (included in creditors)

	2008	2007
	(59 072)	-
	-	-
	-	-
	(59 072)	(59 072)

3.2 PAYE AND UIF

Opening balance
Current year payroll deductions
Amount paid - current year
Amount paid - prior years
Balance unpaid (included in creditors)

	63 002	-
	954 732	569 788
	(954 732)	(506 786)
	(63 002)	-

3.3 Pension deductions

Opening balance
Current year payroll deductions
Current year Council Contributions
Amount paid - current year
Amount paid - prior years
Balance unpaid (included in creditors)

	117 959	84 656
	246 054	112 770
	553 348	-
	(759 403)	(79 467)
	(117 959)	-

3.4 Medical Aid deductions

Opening balance
Current year payroll deductions
Current year Council Contributions
Amount paid - current year
Amount paid - prior years
Balance unpaid (included in creditors)

	1 215	2 945
	54 847	57 567
	96 528	-
	(151 375)	(57 567)
	(1 215)	(1 230)
	-	1 215

3.5 RETIREMENT BENEFIT INFORMATION

Namabana Local Municipality and its employees contribute to the Natal Joint Municipal Pension Fund or the KwaZulu-Natal Joint Municipal Provident Fund which provides retirement benefits to such employees. The retirement benefit plan is subject to the rules and regulations prescribed by the Local Government Superannuation Ordinance, 1973 (Ordinance No. 24 of 1973) and in accordance with the requirements of the Pensions Fund Act, 1996. Current contributions are charged against operating income on the basis of current service costs. Full actuarial valuations are performed at least every three years.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
30 JUNE 2008

4. EMPLOYEE RELATED COSTS

	2008	2007
Employee related costs - Salaries and Wages		
Employee related costs	2 760 374	2 220 504
- Contributions for UIF, SALGBC	23 045	-
- Contributions for pensions	274 076	-
- Contributions for medical aids	96 528	105 066
Travel, subsistence and other allowances	4 969	54 379
Housing benefits and allowances	524 167	377 826
Overtime payments	15 800	16 290
Performance bonuses	95 040	79 315
Less: Employee costs included in other expenses	-	-
Total Employee related costs	<u>3 753 799</u>	<u>2 653 340</u>

Remuneration of the Municipal Manager

Annual Remuneration	-	280 082
Performance Bonuses	-	-
Cell phone Allowances	-	6 000
Car Allowances	-	120 039
Contributions to UIF, SALGBC	-	-
Less: Employee costs included in other expenses	-	-
Total	<u>-</u>	<u>406 121</u>

Remuneration of the Chief Financial Officer

Annual Remuneration	-	257 682
Performance Bonuses	-	-
Cell phone Allowances	-	6 000
Car Allowances	-	110 435
Contributions to UIF, SALGBC	-	-
Less: Employee costs included in other expenses	-	-
Total	<u>-</u>	<u>374 117</u>

Remuneration of the Corporate Services Manager

Annual Remuneration	-	257 682
Performance Bonuses	-	-
Cell phone Allowances	-	6 000
Car Allowances	-	110 435
Contributions to UIF, SALGBC	-	-
Less: Employee costs included in other expenses	-	-
Total	<u>-</u>	<u>374 117</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
30 JUNE 2008

5. REMUNERATION OF COUNCILLORS

	2008	2007
Mayor's allowance		
Basic Salary	111 147	40 628
Travel Allowance	51 381	10 132
Cell phone Allowance	7 820	7 820
Pension	16 672	
Personal Facility Usage Allowance	3 120	3 120
Total Allowances	190 140	61 700
Deputy Mayor's allowance		
Basic Salary	86 484	32 423
Travel Allowance	41 105	8 106
Cell phone Allowance	7 920	7 920
Pension	12 973	
Personal Facility Usage Allowance	3 120	3 120
Total Allowances	151 602	51 569
Speaker's allowance		
Basic Salary	86 484	32 423
Travel Allowance	41 105	8 106
Cell phone Allowance	7 920	7 920
Pension	12 973	
Personal Facility Usage Allowance	3 120	3 120
Total Allowances	151 602	51 569
Exco Member's allowance		
Basic Salary	80 323	30 396
Travel Allowance	38 535	7 599
Cell phone Allowance	7 920	7 920
Pension	12 048	-
Personal Facility Usage Allowance	3 120	3 120
Total Allowances	141 946	49 035
Other councillors' allowances		
Basic Salary	606 112	168 684
Travel Allowance	308 297	42 380
Cell phone Allowance	87 120	82 819
Pension	90 916	
Personal Facility Usage Allowance	34 320	32 626
Total Allowances	1 126 765	326 509
Total Councillor allowances		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
30 JUNE 2008

Fixed benefits

	2008	2007
6. INTEREST PAID	-	-
	-	-

7. DEBTORS

Sundry debtors	255 170	133 686
Consumer Debtors	130 604	-
Fruitless and wasteful expenditure	-	-
Current portion of long-term debtors	-	3 356
Suspense Account	-	-
Accrued interest	-	-
Less: Provision for bad debts	395 864	137 042
Provision for bad debts (Sundry Debtors)	(138 320)	-
Provision for bad debts (Consumer Debtors)		
Total Debtors	247 544	137 042

8. 1 BANK AND CASH BALANCES

The municipality has the following bank accounts

Current Account (Primary Bank Account)

ABSA Bank (Richards Bay branch)
 Account Number:- 40-5415-4039

Cash book balance at beginning of the year
 Cash book balance at end of the year

3 654 567	4 519 804
89 576	3 654 567

Current Account (Housing Bank Account)

ABSA Bank (La Lucia Ridge branch)
 Account Number:- 40-5863-6768

Bank balance at beginning of the year
 Bank balance at end of the year

-	-
103 674	-

8.2 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:

Bank balances and cash	195 200	3 654 567
Call investment deposits	1 103 979	2 803 979
Total cash and cash equivalents	1 299 179	6 458 546

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
30 JUNE 2008

9. INVESTMENTS

These investments are made with the commercial banks as Licensed Financial Service Providers and in terms of investments regulations issued by the National Treasury.

2008 2007

FIXED DEPOSIT

Bank: Absa
Account No.: 20-6274-4470
Account Type: Fixed Deposit

Opening Balance	-	4 500 000
Prior year adjustments	-	(944 656)
Withdrawals	-	(3 594 755)
Investments	-	-
Interest re-invested	-	39 411
Closing Balance	-	-

Average interest rate 5.50%

CALL ACCOUNT

Bank: ABSA
Account No.: 91-1641-0562
Account Type: Fixed Deposit

Opening Balance	2 803 979	1 000 000
Prior year adjustments	-	1 828 538
Withdrawals	(1 700 000)	(3 900 000)
Investments	-	3 994 755
Interest re-invested	-	280 685
Closing Balance	1 103 979	2 803 979

Average interest rate 4.70%

Total Investments

1 103 979 2 803 979

The interest received on the investments is invested with the investment when it is re-invested.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
30 JUNE 2008

10. GOVERNMENT GRANTS AND SUBSIDIES

	2008	2007
DTLGA Grants		
-IDP Grant I	(151 883)	-
-IDP Grant II	(115 313)	-
-IDP Grant	(48 775)	450 349
-Establishment Grant I	(151 883)	-
-Establishment Grant II	(710 332)	-
-DTLGA Financial Structure	(116 073)	10 869
-Transitional Grant	-	189 067
-GIS	-	14 055
-Councilor Allowances Grant	-	185 120
-CDW Fund	-	-
-LUMS Fund	-	-
-Communication Grant	(69 531)	-
-Ceramic Project Fund	(118 740)	-
-MSIP Grant	(208 348)	124 347
-Capacity Support Grant	(261 110)	-
-Internal Controls	(129 000)	-
-Organizational Structure	(2 341 627)	-
-Ward Committees Induction Grant	(286 438)	1 738 298
-Public Participation Grant	-	999 301
-Municipal Infrastructure Grant	-	734 774
MAP Grants		
-Property Rates Act Implementation	(24 000)	-
-PMS Grant	(258 550)	-
-Management Assistance Programme	114	4 218
-Planning Support	-	-
-Interdepartmental Monitoring Grant	-	-
-Administration Capacity Building	-	-
NATIONAL GOVERNMENT GRANTS		
-Equitable Share	(7 055 851)	-
-National Treasury - LG Financial Management Grant	(1 096 683)	539 008
-Municipal System Improvement Grant	(1 016 856)	304 555
-National Electrification Program	(817 125)	-
-Project Consolidate	(298 443)	456 000
LOT FUNDING		
-LOT Grant	-	-
HOUSING		
-Housing Project Grants	(157 274)	906 730
Total government grant and subsidies	(15 250 285)	4 918 404

Handwritten notes and calculations:

- 11/145 000
- 2 132 000
- 3 700 000
- 100 590 000

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
30 JUNE 2008

10.1 Equitable Share

The FSC portion of the equitable share is utilized in provision of SDAW of electricity per month to each household determined as indigent as per our indigent policy.

2008 2007

10.2 National Treasury - LG Financial Management Grant

Balance unspent at beginning of year	121 283
Current year receipts	250 000
Conditions met - transferred to revenue	(1 098 683)
Conditions still to be met - transferred to liabilities	(516 439)
	<u>332 274</u>

10.3 Municipal Systems Improvement Grant

Balance unspent at beginning of year	1 384 477
Prior year adjustments	729 500
Current year receipts	(1 696 656)
Conditions met - transferred to revenue	1 077 121
Conditions still to be met - transferred to liabilities	<u>1 384 477</u>

10.4 National Electrification Program

Balance unspent at beginning of year	500 000
Current year receipts	(817 125)
Conditions met - transferred to revenue	(317 125)
Conditions still to be met - transferred to liabilities	<u>-</u>

10.5 Project Consolidate

Balance unspent at beginning of year	782 885
Current year receipts	1 430 000
Conditions met - transferred to revenue	(298 443)
Conditions still to be met - transferred to liabilities	<u>904 441</u>

10.5.1 (a) LGF Grant I

Balance unspent at beginning of year	172 491
Prior year adjustment	22 491
Current year receipts	(105 896)
Conditions met - transferred to revenue	150 000
Conditions still to be met - transferred to liabilities	<u>66 905</u>

10.5.1 (b) LGF Grant II

Balance unspent at beginning of year	87 961
Prior year adjustment	37 961
Current year receipts	50 000
Conditions met - transferred to revenue	(151 883)
Conditions still to be met - transferred to liabilities	<u>(63 922)</u>

10.5.1 (c) LGF Grant

Balance unspent at beginning of year	(109 170)
Prior year adjustment	73 900
Current year receipts	(17 947)
Conditions met - transferred to revenue	(115 313)
Conditions still to be met - transferred to liabilities	<u>(224 468)</u>

10.5.2 Establishment grant I

Balance unspent at beginning of year	28 359
Prior year adjustments	478 708
Current year receipts	-
Conditions met - transferred to revenue	(48 775)
Conditions still to be met - transferred to liabilities	<u>(20 416)</u>

10.5.3 Establishment Grant II

Balance unspent at beginning of year	(289 535)
Prior year adjustments	(289 535)
Current year receipts	(25 601)
Conditions met - transferred to revenue	(315 136)
Conditions still to be met - transferred to liabilities	<u>(289 535)</u>

Handwritten notes and calculations in the top right corner of the page, including the date 26/5/08 and the number 3492/1090954.

Handwritten notes and calculations in the bottom right corner of the page, including the date 21/3/08 and the number 11/145000.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
30 JUNE 2008

10.5.4 DTIC/DA Financial Structures Grant

Balance unspent at beginning of year
Current year receipts
Conditions met - transferred to revenue
Conditions still to be met - transferred to liabilities

2008	2007
320 000	320 000
(710 332)	-
(390 332)	320 000

10.5.5 Transitional Grant

Balance unspent at beginning of year
Current year receipts
Conditions met - transferred to revenue
Conditions still to be met - transferred to liabilities

917 230	928 089
-	-
(116 073)	(10 869)
801 157	917 230

10.5.6 GIS Grant

Balance unspent at beginning of year
Current year receipts
Conditions met - transferred to revenue
Conditions still to be met - transferred to liabilities

193 777	32 864
-	350 000
-	(199 087)
193 777	193 777

10.5.7 Councilor Allowances Grant

Balance unspent at beginning of year
Current year receipts
Conditions met - transferred to revenue
Conditions still to be met - transferred to liabilities

25 157	25 157
-	-
25 157	25 157

10.5.8 COM Grant

Balance unspent at beginning of year
Prior year adjustments
Current year receipts
Conditions met - transferred to revenue
Conditions still to be met - transferred to liabilities

36 964	-
-	-
-	72 000
-	(35 036)
36 964	36 964

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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	2008	2007
10.5.9 IJMS Grant		
Balance unspent at beginning of year	(454,004)	-
Current year receipts	(115,367)	80,000
Conditions met - transferred to revenue		(334,954)
Conditions still to be met - transferred to liabilities	(470,344)	(454,954)
	<u>36,633</u>	<u>36,633</u>
10.5.10 Communication Grant		
Balance unspent at beginning of year	36,633	36,633
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities	36,633	36,633
	<u>36,633</u>	<u>36,633</u>
10.5.11 Ceramic Project Fund		
Balance unspent at beginning of year	510	510
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities	510	510
	<u>510</u>	<u>510</u>
10.5.12 MSIP Grant		
Balance unspent at beginning of year	129,216	129,216
Current year receipts	-	-
Conditions met - transferred to revenue	(69,531)	-
Conditions still to be met - transferred to liabilities	59,685	129,216
	<u>59,685</u>	<u>129,216</u>
10.5.13 Capacity Support		
Balance unspent at beginning of year	753,367	677,714
Prior year adjustments	-	200,900
Current year receipts	-	-
Conditions met - transferred to revenue	(118,740)	(124,347)
Conditions still to be met - transferred to liabilities	634,627	753,367
	<u>634,627</u>	<u>753,367</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
30 JUNE 2008

	2008	2007
10.5.14 Internal Controls Grant		
Balance unspent at beginning of year	150 000	-
Prior year adjustments	-	150 000
Current year receipts	(298 348)	-
Conditions met - transferred to revenue	(148 348)	150 000
Conditions still to be met - transferred to liabilities		

10.5.15 Organisational Structure and HR Policies		
Balance unspent at beginning of year	137 000	-
Prior year adjustments	-	137 000
Current year receipts	(261 110)	-
Conditions met - transferred to revenue	(124 110)	137 000
Conditions still to be met - transferred to liabilities		

10.5.16 Municipal Infrastructure Plan Grant		
Balance unspent at beginning of year	200 000	-
Prior year adjustments	-	200 000
Current year receipts	(120 000)	-
Conditions met - transferred to revenue	80 000	200 000
Conditions still to be met - transferred to liabilities		

10.5.17 Ward Committees Induction Grant		
Balance unspent at beginning of year	12 000	-
Prior year adjustments	-	12 000
Current year receipts	-	-
Conditions met - transferred to revenue	12 000	12 000
Conditions still to be met - transferred to liabilities		

10.5.18 Public Participation Grant		
Balance unspent at beginning of year	250 000	-
Prior year adjustments	(269 876)	250 000
Current year receipts	-	-
Conditions met - transferred to revenue	(19 876)	250 000
Conditions still to be met - transferred to liabilities		

10.5.20 Municipal Infrastructure Grant		
Balance unspent at beginning of year	200 000	-
Prior year adjustments	2 013 698	200 000
Current year receipts	(2 241 627)	-
Conditions met - transferred to revenue	(127 929)	200 000
Conditions still to be met - transferred to liabilities		

10.5.9 MAP GRANTS		
(i) Property Rates Act Implementation		
Balance unspent at beginning of year	(836 176)	63 125
Current year receipts	700 000	100 000
Conditions met - transferred to revenue	(999 301)	-
Conditions still to be met - transferred to liabilities	(136 176)	(836 176)

(ii) Performance Management System Grant		
Balance unspent at beginning of year	63 768	(36 232)
Prior year adjustments	-	50 000
Current year receipts	-	50 000
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities	63 768	63 768

(iii) Management Assistance Programme		
Balance unspent at beginning of year	(247 261)	597 513
Prior year adjustments	-	(150 000)
Current year receipts	(24 002)	(734 724)
Conditions met - transferred to revenue	(311 263)	(287 261)
Conditions still to be met - transferred to liabilities		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
30 JUNE 2008

(b) Planning Support

Balance unspent at beginning of year
Current year receipts
Conditions met - transferred to revenue
Conditions still to be met - transferred to liabilities

2008	2007
220 917	125 917
-	95 000
(258 550)	-
(37 633)	220 917

(b) Independent Monitoring Grant

Balance unspent at beginning of year
Current year receipts
Conditions met - transferred to revenue
Conditions still to be met - transferred to liabilities

69 106	73 324
-	-
(114)	(4 219)
68 992	69 106

(c) Alameda County Building

Balance unspent at beginning of year
Current year receipts
Conditions met - transferred to revenue
Conditions still to be met - transferred to liabilities

378	378
-	-
-	-
378	378

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
30 JUNE 2008

15. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

15.1 Conditional grants from other spheres of government

	2008	2007
DTLGA Grants		
-JDP Grant I	66 805	172 491
-JDP Grant II	(63 922)	-
-JDP Grant	(224 483)	-
-Establishment Grant I	(20 416)	28 359
-Establishment Grant II	(315 136)	(289 535)
-DTLGA Financial Structure	(390 332)	326 000
-Transitional Grant	801 157	917 230
-GIS Grant	193 777	193 777
-Council Allowances Grant	25 157	25 157
-CDW Grant	36 964	36 964
-LUMS Grant	(470 344)	(454 954)
-Communication Grant	36 633	38 633
-Cerank Project Fund	510	510
-MSIP Grant	59 685	129 216
-Capacity Support	634 627	753 367
-Integral Capital	(148 346)	-
-Municipal Infrastructure Plan	80 000	-
-World Committee Inclusion Grant	12 000	-
-Public Participation Grant	(19 876)	-
-Municipal Infrastructure Grant	(327 929)	-
-MIP Grants	(351 934)	(769 268)
-Property Rates Act Implementation	(136 176)	(636 176)
-PMS Grant	63 788	63 788
-Management Assistance Programme	(311 263)	(287 261)
-Planning Support	(37 632)	220 917
-Interdepartmental Monitoring	68 992	69 106
-Administrative Capacity Building	378	378
NATIONAL GOVERNMENT		
Equitable Share		
National Treasury LG Financial Management Grant	(516 409)	332 274
Municipal System Improvement Grant	1 077 121	1 384 477
National Electrification Program	(317 125)	-
Project Consolidate	484 441	782 885
LOT FUNDING		
LOT Grant	206 500	-
HOUSING GRANTS		
Housing Projects Grants	(96 622)	60 452
Total conditional grants and receipts	528 190	3 650 035

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
30 JUNE 2008

16. CAPITAL COMMITMENTS

Commitments in respect of capital expenditure

- Approved and contracted for
 Capitalised bids

- Approved but not yet contracted for
 Purchase of farmland

Total

This expenditure will be financed as follows

- Equitable share
 - Government Grants
 - Prior years surpluses

	2008	2007
- Approved and contracted for Capitalised bids		500 000
		500 000
- Approved but not yet contracted for Purchase of farmland		4 800 000
		4 800 000
Total		5 300 000
This expenditure will be financed as follows		
- Equitable share		500 000
- Government Grants		2 800 000
- Prior years surpluses		2 000 000
		5 300 000

17. CHANGES IN ACCOUNTING POLICY

No changes in accounting policy occurred during the financial year

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
30 JUNE 2008

18. PRIOR YEAR ADJUSTMENTS

Adjustments for the treatment of VAT had the following effects

	APS Balance	Adjustment	Restated opening
VAT Control Account		712 531	712 531
Accumulated surplus	-8 910 221	-659 955	-9 570 176
Land and Buildings	\$ 635 688	-11 229	\$ 624 459
Vehicles	1 736 098	-26 362	1 709 736
Furniture and Equipment	662 510	-2 154	660 356
Office Equipment	614 883	-7 365	607 498

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
30 JUNE 2008

APPENDIX I
KILPATRICK LOCAL MUNICIPALITY
VALUES OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2008

	Opening balance	Cost	Per year increments	Depreciation	During the year	Closing balance	Accumulated depreciation	Current balance	Carrying amount	Market value	Market additions
Land and buildings											
Land	1 000 000					1 000 000				1 000 000	
Buildings	1 235 000				1 014 297	1 235 000				1 235 000	
Sub-total	2 235 000				1 014 297	2 235 000				2 235 000	
Infrastructure											
Water treatment											
Sub-total											
Community Assets											
Sub-total											
Other Assets											
Plant and equipment	171 500				171 500	171 500				171 500	
Office equipment	814 000				814 000	814 000				814 000	
Transportation											
Sub-total	985 500				985 500	985 500				985 500	
Intangible Assets											
Sub-total											
Total	3 220 500				3 220 500	3 220 500				3 220 500	

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
30 JUNE 2008

APPENDIX II
MTABAMAMBA LOCAL MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2008

	Opening Balance	Acquire Additions	Disposal Deduction	Depreciation	Change Balance	Change Balance	ACCUMULATED DEPRECIATION	Change Balance	Carrying Amount
Executive and Council	-	-	-	-	-	-	-	-	-
General Administration	-	-	-	-	-	-	-	-	-
Technical Services	-	-	-	-	-	-	-	-	-
Other Services	-	-	-	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-	-	-	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
30 JUNE 2008

APPENDIX III
MTABAMAMU LOCAL MUNICIPALITY
DEPARTMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008

	2007 Actual R	2007 Budget R	2007 Variance R	2008 Actual R	2008 Budget R	2008 Variance R	2008 Actual R	2008 Budget R	2008 Variance R
Remuneration and Control									
Executive Management	24 337 186	9 498 975	4 739 221	19 911 421	14 183 832	14 183 832	14 183 832	14 183 832	14 183 832
Capital Services	-	151 421	151 421	151 421	151 421	151 421	151 421	151 421	151 421
Technical Services	-	1 285 318	1 285 318	1 285 318	1 285 318	1 285 318	1 285 318	1 285 318	1 285 318
Sub-total	24 337 186	11 448 000	11 448 000	21 348 159	15 620 569	15 620 569	21 348 159	15 620 569	21 348 159
Less: Inter-departmental Charges	-	-	-	-	-	-	-	-	-
Total	24 337 186	11 448 000	11 448 000	21 348 159	15 620 569	15 620 569	21 348 159	15 620 569	21 348 159

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
30 JUNE 2008

APPENDIX
STAMBUK LOCAL MUNICIPALITY
ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2008

	2008 Actual R	2008 Budget R	2008 Variance R	2008 Variance %	Explanation of Variance (Values greater than 0 are a debit)
REVENUE					
Donations	255 493	19 227 330	1 765 971	30%	None grants than budgeted for were received
Government Grants and Subsidies	15 903 471	43 150	2 129	3%	The Income Tax was verified and not discussed during the year
Rental of Facilities and Equipment	47 965	-	-	-	-
Interest Earned- Investments	185 862	608 020	(425 908)	-70%	-
Interest Earned- Current Account	59 371	36 590	43 871	76%	-
Other Income	31 408	-	31 408	8%	-
Gains on Disposal of PPE	-	-	-	0%	-
Total Revenue	16 528 965	20 197 430	1 375 992	6%	
EXPENDITURE					
Executive and Council	14 180 032	6 779 894	7 401 948	209%	-
Financial Management	1 082 294	2 013 094	(933 370)	-1%	-
Corporate Services	2 171 761	2 340 137	(177 734)	-8%	-
Technical Services	523 548	1 281 614	(758 165)	-45%	-
Total Expenditure	17 957 635	12 714 739	5 242 896	26%	
NET SURPLUS/(DEFICIT) FOR THE YEAR	(1 428 670)	(2 517 309)	(1 088 639)	20%	

1442
367 035